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ED/EC M-265

August 20, 1957

EXECUTIVE COMMITTEE OF THE
ECONOMIC DEFENSE ADVISORY COMMITTEE

MINUTES

2:00 p.m. Tuesday, August 13, 1957
Room 1213 Malatico

Attendance:

MDAC

Mr. Hale, Chairman
Mr. Kramer, Executive Secretary
Mrs. Huver, Committee Secretary

CIA

Mr. [REDACTED] 25X1A9a

Commerce

Mr. George

Defense

Col. Green

ICA

Mr. Slaght

State

Mr. Knoll
Mr. Crowley
Mrs. Rado

Treasury

Mr. Pollak

Agenda:

1. [REDACTED] Eligibility for Assistance
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1. [REDACTED]
Re: EDAC D-136, 136/1, 136/2 and 136/3

Decisions

A determination will be obtained from the ICA General Counsel as to whether it would be permissible under the law for the Battle Act administrator to find Finland eligible for assistance in view of the fact that it is known that there will be future shipments of Title I Category B items to the Bloc.

The State member will prepare a paper, for review by the Executive Committee, giving information on all [REDACTED] exports of strategic goods to the Bloc in 1956.

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The Chairman will prepare a draft memorandum from the Executive Committee to EDAC based on the discussion at this meeting.

An Executive Committee meeting will be held at 2:00 p.m. August 16 to review the State paper and the Chairman's draft memorandum.

Discussion

The Chairman called attention to the referenced documents and briefly reviewed their contents as well as the background which led to the request for EDAC consideration of this problem. He pointed out that it is his understanding that it is now important to have an early EDAC meeting to resolve this problem and an early report from the EDAC Chairman to the OCB.

25X6 The Commerce member said, basically, his agency accepts the general view and
25X6 recommendations set forth by State. He said we have appreciated the special
25X6 circumstances of [REDACTED] and have recognized and lived with its [REDACTED] 25X6
25X6 [REDACTED] Obviously if there were means whereby our objective
could be accomplished without pursuing the Battle Act problems it would be desirable. However, since State believes this is the best way to handle the matter, Commerce would be willing to support it. This support, he said, is based on the assumption that it is legally possible under the law to find [REDACTED] eligible 25X6
25X6 for assistance, since it is known that there will be future Title I Category B
25X6 shipments by [REDACTED] to the Bloc. He felt that a legal opinion from the ICA
General Counsel should be obtained on this point.

The Chairman replied that he reads the State Department's proposal as being something which raises no new legal problems and has precedent in past actions of EDAC, but that he would obtain an opinion from the General Counsel.

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The Defense member discussed the OCB document, adding that methods for disposing of the \$25 million worth of [REDACTED] have not been fully explored. He reported that the Air Force is now going to use \$16 million for prefabricated housing; \$2 million more might be used on the sale of a vessel in the Far East, and there are additional possibilities. He noted further that Defense has an item under consideration with ODM which, with some additional effort, might

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result in some assistance for [REDACTED] under Section 105 of the Battle Act. His agency feels that progress is being made in disposing of these funds and that additional effort could be made successfully to do it.

The State member pointed out, however, that the possibilities mentioned by the Defense member for using the [REDACTED] were no where near close to being accomplished.

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The Defense member further stated that his agency opposes the advance exception that has been proposed. They feel that the precedent we have for this action is not in the magnitude of the one under consideration. They have always found special cases such as this to be dangerous and, under present circumstances, particularly dangerous. [REDACTED] can give us no assurance that they will not continue these shipments; a lot of our dealing with Finland is on an emotional basis; and they are bound by treaty to assist the Soviets in event of military aggression. Therefore, Defense can see no benefit or quid pro quo for the U.S. in the security interest to give blanket or advance exceptions to Finland as is proposed in the State paper. In effect, it would violate the intent of the Battle Act. He added that his agency would present a paper giving its position in this matter.

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The Chairman replied that he did not read the State Department proposal as an advance or blanket exception because of the way the recommendation is cast. He read (a) as saying that we have to take into account that [REDACTED] has been shipping Title I Category B goods and will continue to do so, but recommending that we find them eligible for assistance for overriding foreign policy considerations. He read (b) as requiring a determination whether [REDACTED] under given circumstances at a given time, regardless of her past shipments of strategic commodities, and weighing the possibilities of the future, could be considered eligible for continued assistance.

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The ICA member said he would hope this action recommended by State would give the U.S. more leverage in orienting [REDACTED] to the West and he felt this was the whole purpose of the action. He pointed out that it is U.S. policy to attempt such orientation.

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The State member said he did not think the desirability of extending aid to [REDACTED] should be argued here, since the NSC and the OCB have already decided it should be done. He added that the NSC is fairly explicit that [REDACTED] should not be put in the same category as the satellites. Our basic policy is to make sure that [REDACTED] is kept independent and to reduce the possibility of the Soviet Union exerting pressure on [REDACTED] in the hope that some day conditions will be better and [REDACTED] will be able to remove themselves further from the Soviet orbit.

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The CIA member said that the last data he had seen indicated there had been some continuous decline in the level of [REDACTED] trade with the Bloc after reparations shipments had been finished and asked if that has continued to the most recent time.

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25X6 The State member replied that following the completion of [redacted] repairations shipments to the USSR, [redacted] total trade with the Bloc has been declining in relation to her total world trade. However, present indications make it impossible to state that this trade will continue to decline.

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25X6 In discussing [redacted] shipments to the Bloc and the extent of available statistics from [redacted] on these shipments, the following points were brought out:

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With respect to [redacted] shipments of Title I Category B items, which amounted to about \$20 million, an examination of available data indicates that approximately 75% of the value of these shipments is covered by shipping, the technical specifications of which are available to the U.S. The balance of these items fall in relatively few categories, the major item being copper.

25X6A [redacted] shipments of Battle Act List II commodities, while they might be as high as \$47 million in 1956, fell principally in seven II II categories and are not considered incompatible with the COCOM quotas set for those items when one considers the relative orientation of [redacted] total trade.

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The State member said that his agency would prepare a paper giving available statistics on [redacted] trade with the Bloc in 1956 which could be reviewed by the Executive Committee for referral to EDAC in their consideration of this problem.

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The Chairman called attention to point 3. in EDAC D-136/3 regarding Title I Category A items. He stated that the [redacted] Government has examined the items on this list and state that none of them "are being exported". In reply to his query as to whether the members were satisfied with this assurance that no Title I Category A goods would be shipped to the Bloc, the State member said his agency assumes this to be de facto assurance. No member voiced dissatisfaction with the assurance.

25X6 In connection with point 2. in EDAC D-136/3, the Chairman said that this question has to do with the way the law is worded with respect to Title II shipments. In considering this matter preparatory to submission to the Battle Act administrator there would have to be agreement that the extent to which [redacted] provides statistics and information regarding shipments could be termed effective cooperation. He felt that the Executive Committee should, therefore, consider the nature of what is available from [redacted] in an effort to determine whether there is such agreement on it being effective cooperation.

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The Treasury member suggested that [redacted] might be requested to revise their customs regulations to require exporters to provide more specific information on customs documents than is now required. He felt that we could be considered at fault in the future if we passed up an opportunity to obtain additional data.

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The State member pointed out that [redacted] does not want to ask for information from its people which would lead them to think it was made necessary by the U.S. Battle Act. He did feel, however, that possibly the [redacted] Government could request some additional information for customs purposes and that his agency would look into it.

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After discussion of the international trade data and the statistics and facilities provided by [REDACTED], the members agreed that [REDACTED] cooperation in this respect compares favorably with the statistics and cooperation which the U.S. receives from other neutral aid-recipient countries.

The Chairman said that he would prepare a draft memorandum to EDAC, in response to the assignment given the Executive Committee in EDAC D-136/3, based on the discussion at this meeting. An Executive Committee meeting was set for Friday, August 16, at which time the State paper on [REDACTED] shipments of strategic goods to the Bloc in 1956, the paper giving the Defense Department position on this matter, and the Chairman's draft would be ready for review.

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Distribution:

ED List - Parts I & II

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